

Message Text

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PAGE 01 SAN SA 01035 132323Z

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ACTION COME-00

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 4967

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN SALVADOR 1035

E.O. 11652: N/A

TAGS: BDIS; BBAK; ES

SUBJ: ALLEGED ILLEGAL U.S. INSURANCE SALES IN EL SALVADOR

(MEXICO FOR LEGAL ATTACHE)

1. EMBASSY HAS INFORMATION FROM THE GENERAL MANAGER OF U.S. BASED PAN AMERICA LIFE INSURANCE COMPANY AND THE GENERAL MANAGER OF THE LOCAL BRANCH OF FIRST NATIONAL CITY BANK OF NEW YORK CONCERNING THE ALLEGED ILLEGAL SALES OF INSURANCE IN EL SALVADOR BY THE PENINSULAR LIFE INSURANCE COMPANY, 645 RIVERSIDE AVENUE, JACKSONVILLE, FLORIDA; AND THE WORLD SECURITY FUND, INFORMATION CENTER AT GABLES PALZA, P.O. BOX 1584, CORAL GABLES, FLORIDA 33134 (SEE FULL PAGE ADVERTISEMENT IN NEWSWEEK OF NOVEMBER 24, 1973). BOTH SOURCES ARE CONCERNED ABOUT THESE UNAUTHORIZED SALES ACTIVITIES AND FEAR UNPLEASANT DISPUTES, WHICH COULD ADVERSELY EFFECT LEGITIMATE U.S. BUSINESSES HERE, WHEN THEIR EXTENT IS KNOWN AND THE GOES TAKES ACTION. ACTION REQUESTED: PLEASE PROVIDE BONAFIDES ON BOTH COMPANIES AND ANY PERTINENT INFORMATION CONCERNING THEIR FOREIGN ACTIVITIES.

2. EMBOFF HAS SEEN BROCHURES OF BOTH COMPANIES AND COPIES OF LIMITED OFFICIAL USE

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PAGE 02 SAN SA 01035 132323Z

ACTUAL POLICIES WRITTEN ON SALVADORANS BY PENINSULAR LIFE. PAN

AMERICAN LIFE'S GENERAL MANAGER ESTIMATES THAT PREMIUMS TO PENINSULAR PAID BY SALVADORAN RESIDENTS WHICH CIRCUMVENTED EXCHANGE CONTROLS MAY HAVE REACHED \$50,000 IN 1973. HE SAID THE PREMIUMS AVERAGE AT LEAST 25 PERCENT BELOW AVERAGE U.S. POLICIES AND THE DIVIDENDS ARE HIGHER, ALL QUITE POSSIBLE IF NO SALVADORAN TAXES ARE PAID. FURTHER, SOURCE COULD NOT LOCATE PENINSULAR IN HIS DIRECTORY OF U.S. INSURANCE COMPANIES ALTHOUGH COMATT HAS PERSONAL KNOWLEDGE OF THE COMPANY. COMPLAINTS BY PAN AMERICAN LIFE TO THE GOES INSURANCE AUTHORITIES (UNDER THE CENTRAL RESERVE BANK) BROUGHT THE REPLY THAT THERE WAS INSUFFICIENT EVIDENCE TO PROVE SALES OF POLICIES SINCE PAN AMERICAN COULD OFFER ONLY PHOTOCOPIES.

3. CITIBANK'S GENERAL MANAGER HAS RECEIVED NUMEROUS INQUIRIES CONCERNING THE WORLD SECURITY FUND, WHICH HE SAYS HAS ALREADY SOLD SUBSTANTIAL COVERAGE HERE FOR EXPROPRIATION. HE ATTEMPTED TO OBTAIN INFORMATION FROM HIS MIAMI OFFICE AND WAS TOLD IT WAS NOT AVAILABLE. THE FUND'S BROCHURE DOES NOT INDICATE ITS NATIONALITY OR HEADQUARTERS, BUT LIMITS ITS COVERAGE TO FIRMS DEALING THROUGH U.S., CANADIAN, AND SEVERAL OTHER DC BANKS.

4. THE CENTRAL BANK'S CHIEF OF THE DEPARTMENT OF INSURANCE AND OTHER INVESTMENT INSTITUTIONS HAS CONFIRMED TO US THAT NEITHER OF THESE TWO FIRMS IS REGISTERED TO DO BUSINESS IN EL SALVADOR AND ANYONE DOING SO WOULD BE APPREHENDED. THE REPORTED EXTENT OF SALES OF BOTH FIRMS AND THE RELATED CIRCUMVENTION OF EXCHANGE CONTROLS AND SALVADORAN TAXES PRESENT GOOD POTENTIAL FOR A SCANDAL WHICH WOULD NOT ENHANCE EITHER THE U.S. IMAGE OR THAT OF LEGITIMATE LOCAL U.S. FIRMS. THE DEPARTMENT'S GUIDANCE AND INFORMATION REQUESTED WOULD BE APPRECIATED.

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